

MEMO

DATE: August 30, 2007

TO: Community, Economic and Human Development Committee

FROM: Steve Levy, Center for Continuing Study of California Economy,
slevy@ccsce.com, 650-321-8550
Frank Wen, SCAG, wen@scag.ca.gov, 213-236-1854

SUBJECT: RTP Growth Forecasts: Land Use Scenarios and Policy Implications

BACKGROUND:

SCAG contracted with CCSCE to analyze the policy implications of the regional economic and demographic growth forecast. CCSCE was also asked to develop a story about the forecast that could be used in communicating with policy and citizen audiences.

CCSCE has presented their analysis and story to the SCAG growth forecast expert panel, to the Compass Partnership, and to the Plans and Programs Technical Advisory Committee. Today's presentation is an information item to serve as background for the discussion of land use policy alternatives and implications led by John Fregonese.

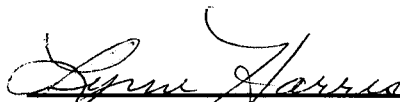
The demographic trends expected during the forecast period are different from what has occurred during the past 20 years, especially in terms of the aging of the region's population. The two presentations explore how these demographic changes affect the region's policies for land use and housing.

The presentation also looks at the region's economy and explores the policy implications of achieving economic prosperity that offers broad opportunities for all residents to achieve a rising standard of living. One key question raised by the presentation is whether SCAG can or should take an expanded role in regional economic policy beyond the agency's role in infrastructure, land use and housing.

FISCAL IMPACT:

None.

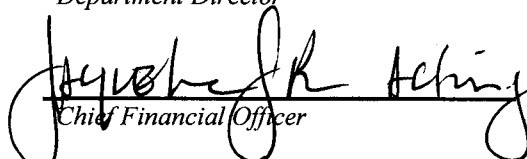
Reviewed by:


Division Manager

Reviewed by:


Department Director

Reviewed by:


Chief Financial Officer

The SCAG Region Economy

The Growth Forecast Story and Implications for Policy

Stephen Levy, CCSCE
August 30, 2007

Summary

- This presentation summarizes the story told by the regional growth forecast and asks
- What are the policies required to achieve economic prosperity, broadly shared?
- How do changing demographic and housing trends shape the opportunity for success with RTP and Compass 2% policies?

Why Tell the Forecast Story

- We say that the region “is projected to grow”, not that the region “will grow” because the projected growth requires success in implementing policies.
- Telling the story supports the policy recommendations AND is a unique role that SCAG has as the main organization looking at the region’s future.
- This is a story based on SUCCESS in policy implementation.

Overview of the Forecast Story

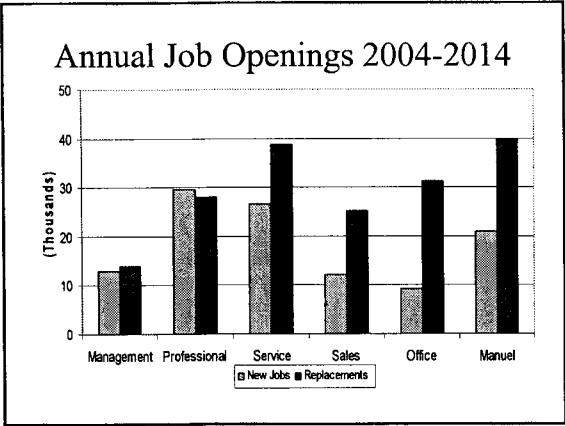
- The regional economic base has several strong sectors which must be successful to meet the job and income growth forecasts.
- Aging baby boomers will be replaced by immigrants and their children in the region's labor force and housing markets.
- Housing market conditions pose a large challenge for achieving regional goals.

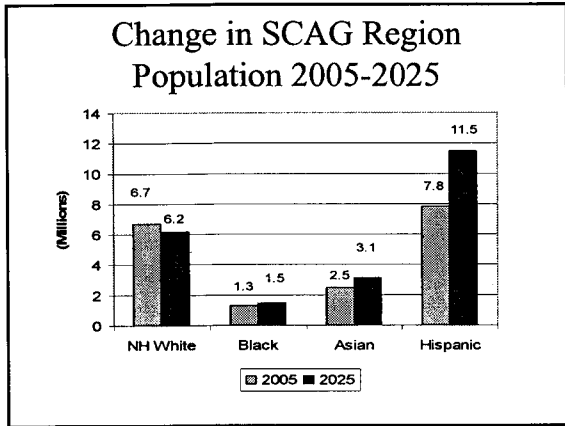
A Strong and Diversified Economic Base (Jobs in 2005)

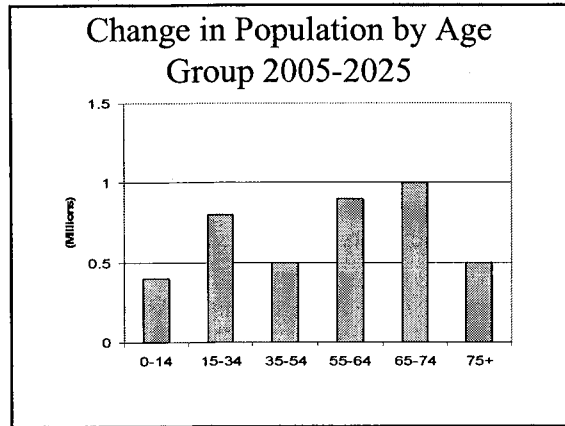
- | | |
|------------------------------------|---------|
| • Prof., Bus., Info Services | 840,000 |
| • Diversified Manufacturing | 610,000 |
| • Wholesale Trade & Transportation | 600,000 |
| • Tourism & Entertainment | 340,000 |
| • Fed, State Government | 225,000 |
| • High Tech Manufacturing | 190,000 |
| • Resource Based | 75,000 |

Job Opportunities for All

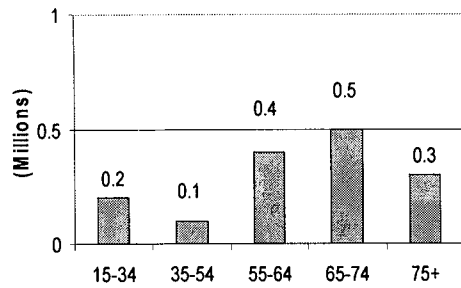
- Most job openings come from replacements. For every new job, there are 1.6 job openings from replacements.
- Most jobs are in population serving sectors such as health care, retail, construction and government.
- Many job opportunities will require post-secondary training but not necessarily a four-year college degree.



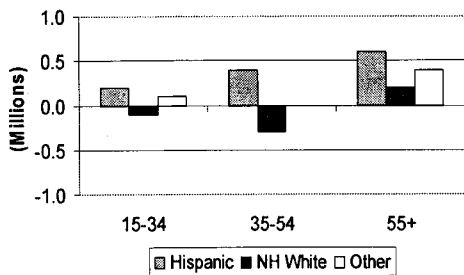




Growth in HH by Age Group 2005-2025



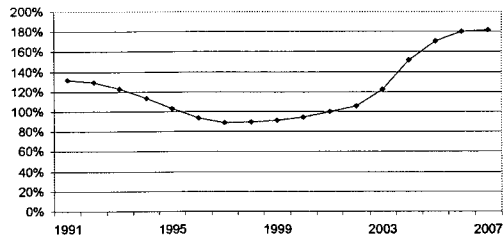
Household Growth 2005-2025



Short Term Housing Trends— Implications for the Future

- There is a drop in affordability relative to income and other regions.
- Sharp drop in sales and new building and tightening lending criteria.
- Demographic and price trends are changing compared to the past 20 years.
- What do these new trends mean for the economy, Compass and the RTP??

Median resale Housing Prices Riverside-SB as % of U.S.



Policy Questions

- Should SCAG take a broader role in regional economic strategy? What can SCAG do beyond the RTP and Compass?
- Do demographic trends and housing affordability challenges present opportunities for growth visioning efforts? Can the "2% solution" help affordability?
- How can telling the forecast story support SCAG policy efforts?
